

**Council on Postsecondary Education
Executive Committee Meeting
January 12, 2006**

Performance Funding Component

The Council adopted a budget recommendation in November 2005 that included \$3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Based on the comprehensive funding review, as approved by the Council, the performance funding component will be implemented beginning in the second year of the biennium.

Draft indicators and weighting

<i>Description/ Weighting</i>	<i>Indicator</i>
Benchmark Comparisons (50%)	(1) Production - degrees per FTE (2) Efficiency - Production/total public funds/FTE
Key Indicators: Goal Attainment (30%)	(3) Degree production - progress toward key indicator goal (4) Minority degree production - progress toward key indicator goal
Institution's Choice: Key Indicators Goal Attainment (20%)	(5) Selected by each institution from a list of institutional specific CPE approved key indicators

One of the principle objectives of this new component of the funding model is that it be relatively simple with only a few focused indicators. These particular indicators were selected based on numerous discussions with the institutions to reward performance for efficiently increasing the educational attainment rates of Kentuckians. All of the key indicators are important and will be monitored for performance each year; however, these five focused indicators have been selected for the performance funding component.

Degree production is defined as baccalaureate degrees for four-year institutions and associate degrees for two-year institutions. Half of the funds will be distributed based on performance relative to benchmark peer institutions and the remaining half based on performance relative to goals towards House Bill 1 key indicator progress.

The methodology for distribution of available funds is detailed in Attachment A. If funds are appropriated, performance funding will be awarded in FY 2007-08 based on performance in FY 2005-06 and FY 2006-07.

**Kentucky Council on Postsecondary Education
Performance Funding System 2006-08**

The Council adopted a budget recommendation in November that included \$3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Based on the comprehensive funding review, as approved by the Council, the performance funding component will be implemented beginning in the second year of the biennium.

One of the principle objectives of this new component of the funding model is that it be relatively simple with only a few focused indicators. These particular indicators were selected based on numerous discussions with the institutions to reward performance for efficiently increasing the educational attainment rates of Kentuckians. All of the key indicators are important and will be monitored for performance each year; however, these five focused indicators were selected for the performance funding component.

Indicators and Weighting

Indicators	Weight
(1) Productivity: Degrees / 100 UG Student FTE	25%
(2) Efficiency: Production / (Total Public Funds / UG Student FTE)*1,000	25%
(3) Number of Degrees	20%
(4) Number of Minority Degrees	10%
(5) Improving Institution Choice Key Indicator	20%
	100%

Degrees are defined as baccalaureate degrees for four-year institutions and associate degrees for two-year institutions. Half of the funds will be distributed based on performance relative to benchmark peer institutions (production and efficiency) and the remaining half based on performance relative to goals towards House Bill 1 key indicator progress. If funds are appropriated, performance funding will be awarded in FY 2007-08 based on performance in FY 2005-06 and FY 2006-07.

Points will be awarded for each of the five indicators based on the performance of each institution.

BENCHMARK INDICATORS

(1) Productivity

Points: 0 to 10 points

Purpose: This indicator is designed to improve degree production per 100 undergraduate students FTE relative to the average of its benchmark institutions.

Description: The degree productivity ratio is calculated by taking the number of bachelor's degrees or associate degrees (KCTCS) produced in a given year per 100 undergraduate student FTE. The measure is scored based on a comparison of the benchmark institutions' productivity. Institutions already performing above 80 percent of the average of their benchmark institutions receive more points.

(2) Efficiency

Points: 0 to 10 points

Purpose: This indicator is designed to enhance the efficient production of degrees relative to funding and undergraduate student FTE compared to benchmark institutions.

Description: The efficiency ratio is designed to measure degree production relative to the amount of funds available. This measure is scored based on a comparison of the benchmark institution's relative efficiency. Institutions already performing above 80 percent of the average of their benchmark institutions receive more points.

(3) Degrees

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to emphasize improvement in the numbers of bachelor's and associate (KCTCS) degrees produced per year by institutions.

Description: At the state level, Kentucky needs an annual increase in bachelor's degree production of approximately 4.5 percent to significantly close the educational attainment gap over the next 15 years and get closer to the national average in terms of working adults with a bachelor's degree or higher. Historically over the past 15 years, annual bachelor's degree production has increased by approximately 2.5 percent per year. This measure will be scored based on progress on the key indicator.

(4) Minority Degrees

- Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)
- Purpose: This indicator is designed to emphasize improvement in the numbers of minority degrees produced per year.
- Description: Kentucky is interested in increasing the number and proportion of bachelor's and associate degrees awarded to minorities. This indicator assesses the annual percentage increase in minority bachelor's or associate degrees. The minority population in the Commonwealth is approximately 10 percent. Although minorities make-up about 11 percent of the undergraduate population at four-year institutions, only 7 percent of bachelor's degrees are awarded to minorities.

(5) Institution Choice Key Indicators - Performance

All institutions were given the option to "choose" a particular key indicator from the list of institutional key indicators under questions 3, 4, and 5 of the public agenda.

- Choice: **Student Engagement in Undergraduate Experience** (NKU and WKU)
- Points: 0 to 10 points
- Purpose: This indicator is designed to focus on improving student engagement in the undergraduate experience.
- Description: Student engagement in the undergraduate experience is assessed by the National Survey of Student Engagement (NSSE) at four-year institutions and the Community College Survey of Student Engagement (CCSSE) at KCTCS. These instruments measure the extent to which students engage in educational practices that have been empirically linked to high levels of learning and development in college.
- The specific measures used are the benchmarks of effective educational practice that include: level of academic challenge, active and collaborative learning, student-faculty interaction, enriching educational experiences, and supportive campus environment for the four-year institutions. CCSSE has a similar set of benchmark indicators for two-year institutions. For the four-year institutions, five scores are reported for both first-year and senior students for a total of 10 indicators of engagement.

Choice: **Transfers from KCTCS to Four-year Institutions** (EKU, KSU, and Morehead)

Points: 0 to 10 points

Purpose: This indicator is designed to increase the number of transfers on an annual basis.

Description: Annual headcount of first-time transfers from KCTCS to all four-year institutions, public and independent. The number of transfers from KCTCS to four-year institutions will play a critical role in making progress toward increasing educational attainment in the state. At the state level, an annual 10 percent increase in transfers in from KCTCS to the public four-year institutions is needed to make progress on 2020 educational attainment projections.

Choice: **Undergraduate Enrollment** (Murray and KCTCS)

Points: 0 to 10 points

Purpose: This indicator is designed to increase undergraduate enrollment on an annual basis.

Description: Total fall semester headcount undergraduate enrollment, includes full and part-time, degree and nondegree. At the state level, an annual increase in undergraduate enrollment of approximately 3.5 percent at the four-year public institutions is needed to start making significant progress in educational attainment goals over the next 15 years. Since 1998, undergraduate enrollment at the public four-year institutions has increased on average by 1.4 percent per year.

Choice: **Extramural Research & Development** (U of L)

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to increase the rate at which institutions capture additional extramural research and development funding.

Description: Extramural research and development funding is taken from the annual National Science Foundation Survey of Research and Development Expenditures.

Choice: Six-year Graduation Rate (UK)

Points: 0 to 10 points (0 to 5 points each for 2005-06 and 2006-07)

Purpose: This indicator is designed to emphasize improvement in six-year graduation rates on an annual basis.

Description: The percentage of bachelor's degree-seeking students who graduate within six years. Numerator: Number of graduates at institution--Denominator: Fall semester first-time, full-time, baccalaureate degree-seeking freshmen six years previous. The overall goal is to increase institution and state level graduation rates above benchmark institutions and the national average. The point distribution is relaxed for those institutions with graduation rates above benchmark or national averages.

CPE Performance Funding System
Draft Scenario #1: \$3.5 Million Allocation
Using Sample Historical Data - January 9, 2006

	Base Year	Year 1	Base Yr to Yr 1	Year 1 Points	Year 2	Change from Yr 1 to Yr 2	Year 2 Points	Total Points	Weight	Weighted Points	Funding Allocation
EKU											
Productivity Ratio	71%	79%	8%	5	68%	-11%	0	5	25%	1.3	
Efficiency Ratio	74%	79%	5%	4	79%	0%	0	4	25%	1.0	
Degrees	1,664	1,678	1%	1	1,787	6%	5	6	20%	1.2	
Minority Degrees	93	84	-10%	0	97	15%	3	3	10%	0.3	
Choice Production - Transfers 2001-02 to 2002-03	408	392	-16	0	472	80	5	5	20%	1.0	
Total								23		4.8	\$351,852
KSU											
Productivity Ratio	70%	73%	3%	3	73%	0%	1	4	25%	1.0	
Efficiency Ratio	44%	42%	-2%	0	43%	1%	1	1	25%	0.3	
Degrees	210	214	2%	1	229	7%	5	6	20%	1.2	
Minority Degrees	151	149	-1%	0	162	9%	2	2	10%	0.2	
Choice Production - Transfers 2001-02 to 2002-03	19	17	-2	0	21	4	1	1	20%	0.2	
Total								14		2.9	\$211,111
Morehead											
Productivity Ratio	76%	68%	-8%	0	74%	6%	5	5	25%	1.3	
Efficiency Ratio	79%	76%	-3%	0	82%	6%	5	5	25%	1.3	
Degrees	887	991	12%	5	1,038	5%	5	10	20%	2.0	
Minority Degrees	39	35	-10%	0	40	14%	3	3	10%	0.3	
Choice Production - Transfers 2001-02 to 2002-03	265	272	7	1	221	-51	0	1	20%	0.2	
Total								24		5.0	\$370,370
Murray											
Productivity Ratio	95%	93%	-2%	3	101%	8%	5	8	25%	2.0	
Efficiency Ratio	88%	86%	-2%	3	94%	8%	5	8	25%	2.0	
Degrees	1,290	1,440	12%	5	1,372	-5%	0	5	20%	1.0	
Minority Degrees	77	109	42%	5	74	-32%	0	5	10%	0.5	
Choice Production - UG Enrollment 2002-04	8,088	8,371	3%	4	8,625	3%	4	8	20%	1.6	
Total								34		7.1	\$525,926
NKU											
Productivity Ratio	76%	76%	0%	1	76%	0%	1	2	25%	0.5	
Efficiency Ratio	95%	97%	2%	4	96%	-1%	3	7	25%	1.8	
Degrees	1,374	1,421	3%	3	1,529	8%	5	8	20%	1.6	
Minority Degrees	67	76	13%	3	78	3%	1	4	10%	0.4	
Choice Production - Student Engagement (est.)							4.5	4.5	20%	0.9	
Total								25.5		5.2	\$381,481
UK											
Productivity Ratio	96%	85%	-11%	3	83%	-2%	3	6	25%	1.5	
Efficiency Ratio	91%	84%	-7%	3	82%	-2%	3	6	25%	1.5	
Degrees	3,338	3,373	1%	1	3,285	-3%	0	1	20%	0.2	
Minority Degrees	244	221	-9%	0	257	16%	3	3	10%	0.3	
Choice Production - Graduation Rate 2002-04	61.1%	59.6%	-1.5%	0	60%	0.8%	3	3	20%	0.6	
Total								19		4.1	\$303,704
U of L											
Productivity Ratio	87%	75%	-12%	0	75%	0%	1	1	25%	0.3	
Efficiency Ratio	90%	83%	-7%	3	81%	-2%	3	6	25%	1.5	
Degrees	1,825	1,890	4%	4	2,148	14%	5	9	20%	1.8	
Minority Degrees	283	334	18%	3	341	2%	1	4	10%	0.4	
Choice Production - Ext. R&D Funding 2000-02	30615	34314	12%	4	57992	69%	5	9	20%	1.8	
Total								29		5.8	\$425,926
WKU											
Productivity Ratio	71%	66%	-5%	0	69%	3%	3	3	25%	0.8	
Efficiency Ratio	92%	86%	-6%	3	90%	4%	5	8	25%	2.0	
Degrees	1,878	2,116	13%	5	2,166	2%	1	6	20%	1.2	
Minority Degrees	137	173	26%	5	180	4%	1	6	10%	0.6	
Choice Production - Student Engagement (est.)							7	7	20%	1.4	
Total								30		6.0	\$440,741
KCTCS											
Productivity Ratio	79%	79%	0%	1	85%	6%	5	6	25%	1.5	
Efficiency Ratio	95%	95%	0%	3	106%	11%	5	8	25%	2.0	
Degrees	4,830	5,420	12%	5	5,723	6%	2	7	20%	1.4	
Minority Degrees	388	429	11%	3	424	-1%	0	3	10%	0.3	
Choice Production - Undergraduate Enrollment	80,695	81,990	2%	3	84,197	3%	4	7	20%	1.4	
Total								31		6.6	\$488,889

47.3 \$3,500,000

Notes:

Productivity Ratio data are comparing 2002-03 and 2003-04.

Efficiency ratio data are comparing 2002-03 and 2003-04.

Degrees data are from 2003-05.

Minority degrees data are from 2003-05.

Choice production data are most recent data depending on indicator chosen - NSSE data are estimates at this time due to lack of standard error data from previous year.

Productivity and efficiency data for KCTCS in base year and year 1 are the same because we are still capturing the earlier year data.